

A. Applicability

This rule provides for the evaluation by the District of emission reduction credits for reactive organic compounds (ROC) and nitrogen oxides (NOx) at the time that an Authority to Construct is issued, and for the creation and implementation of an annual equivalency demonstration program.

B. Determination of Surplus at the Time of Use

1. The District shall conduct the following evaluation of each ROC or NOx emission reduction credit that is:
 - a. Provided by an applicant pursuant to the provisions of Rule 26.2.B as of the date the Authority to Construct is issued; or
 - b. Permanently surrendered by the registered owner, without being used pursuant to the provisions of Rule 26.2.B, as of the date the emission reduction credit is surrendered.

The evaluation shall not be conducted for any emission reduction credits provided by an applicant as temporary emission reduction credits pursuant to Rule 26.4.F.3.

2. For each emission reduction credit used or surrendered, the District shall conduct a record review to determine the size of the emission reduction that was used to establish the emission reduction credit after the emission reduction had been evaluated to determine that it was real, quantifiable, permanent and enforceable. The District shall then evaluate this emission reduction to determine what portion of it is surplus on the date the Authority to Construct is issued. The portion that is surplus on the date the Authority to Construct is issued shall be designated ER1.
3. For each emission reduction credit used or surrendered, the District shall conduct a record review to determine the size of the emission reduction that was used to establish the emission reduction credit after the emission reduction had been evaluated to determine that it was real, quantifiable, permanent, enforceable and surplus at the time the emission reduction credit was issued. The District shall then evaluate this emission reduction to determine what portion of it was granted as an emission reduction credit after any discounting required pursuant to Rule 26.4.C. If the emission reduction credit has been further discounted pursuant to Rule 26.4.D.1 or Rule 26.4.D.2, the District shall determine what portion of the emission reduction was granted as a final emission reduction credit. The portion granted as a final emission reduction credit shall be designated ER2.
4. For each emission reduction credit used or surrendered, the amount of the emission reduction credit that is determined to be surplus at the time of use shall be calculated as follows:

Surplus Credit = (ER1/ER2) * Emission Credit Used or Surrendered

Where ER1 is the amount determined pursuant to subsection B.2 and ER2 is the amount determined pursuant to subsection B.3.

5. If the amount of emission reduction credit calculated to be surplus at the time of use pursuant to subsection B.4 exceeds the amount of emission reduction credit provided by an applicant pursuant to the provisions of Rule 26.2.B, the amount of offsets required pursuant to Rule 26.2.B shall not be reduced.

C. Annual Equivalency Demonstration Program

1. The District shall create and implement an Annual Equivalency Demonstration Program to determine whether new major sources and major modifications shall be required to provide ROC and NOx emission reduction credits pursuant to Rule 26.2.B.2.d that are determined pursuant to subsection B to be surplus at the time of use.
2. The District shall determine as of January 1 of each year the total amount of emission reduction credits of ROC and the total amount of emission reduction credits of NOx that have been determined pursuant to subsection B to be surplus at the time of use during the prior calendar year.
3. The District shall determine as of January 1 of each year the total amount of ROC and NOx emission reduction credits that have been required to be provided to the District by new major sources and major modifications pursuant to Rule 26.2.B during the prior calendar year.
4. The District shall determine as of January 1 of each year a balance for each pollutant equal to the amount calculated pursuant to subsection C.3 subtracted from the amount calculated pursuant to subsection C.2. A total balance for each pollutant will be calculated by adding the annual balance to the balance from the prior year.
5. No later than April 1 of each year, the District shall provide a report for ROC and NOx to the U.S. Environmental Protection Agency (EPA) on the balances determined pursuant to subsection C.4 of this rule, and submit a summary of all the calculations conducted pursuant to Section B of this rule that establish that balance.
6. For any year that the report required in subsection C.5 shows a positive balance for either pollutant, then major sources and major modifications shall be exempt from the provision in Rule 26.2.B.2.d that all emission reduction credits provided shall be surplus at the time of use for the pollutant that shows a positive balance until the submission of the next report.

D. Initial Annual Evaluation

The first annual evaluation pursuant to Section C shall occur as of January 1, 2003, for calendar years 2000, 2001 and 2002.